

Message Text

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EXDIS

C O R R E C T E D C O P Y (TEXT)

FROM MARTIN AND BELL. INFORM USDA ASST SEC YEUTTER
CAIRO FOR SECRETARY BUTZ

EXDIS

E.O. 11652: N/A

TAGS: OCON, UNWFC

SUBJECT: WORLD FOOD CONFERENCE-FOLLOW-UP ON FOOD
RESERVES AND GRAIN EXPORTERS GROUPS

1. SUMMARY. WE OUTLINE HERE OUR VIEWS ON OPTIONS FOR FOLLOW-UP
ON THESE TWO INITIATIVES. END SUMMARY.

2. RESERVES GROUP. SECRETARY BUTZ' DISCUSSION WITH EC
COMMISSIONERS IN BRUSSELS AND DETAILED FOLLOW-UP HERE WITH
FRANCE, EC REPS, AUSTRALIA AND JAPAN--PLUS SO FAR LESS
COMPLETE TALKS WITH USSR, INDIA AND CANADA--PROVIDE GOOD
BASIS FOR MOVING FORWARD QUICKLY WITH SECRETARY KISSINGER'S
PROPOSAL FOR RESERVES COORDINATING GROUP. SINCE OUR PRESENT
INSTRUCTIONS PRECLUDE SUGGESTING FORUM FOR NEGOTIATIONS, WE HAVE
TALKED IN TERMS OF ONE INITIAL INFORMAL MEETING, UNDER US AUSPICES,
TO DISCUSS OBJECTIVES AND FORUM (OR FORA) FOR NEGOTIATION OF AGREE-
MENT ON HOLDING RESERVE GRAIN STOCKS. EUROPEANS HAVE SUGGESTED
THIS MIGHT BE DONE IN CONJUNCTION WITH SEMI-ANNUAL MEETINGS OF
WHEAT COUNCIL OPENING IN LONDON NOVEMBER 25. IN THESE DIS-
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CUSSIONS, ON ONE HAND, WE HAVE EMPHASIZED SERIOUS PURPOSE AND

URGENCY OF SECRETARY KISSINGER'S PROPOSAL, WHILE ON OTHER WE HAVE HAD TO HOLD OUT POSSIBILITY THAT USG MAY NOT BE READY FOR DISCUSSIONS BEFORE EARLY JANUARY.

3. BECAUSE OF WHEAT COUNCIL MEETING AND DECEMBER HOLIDAY SEASON, OUR OPTIONS ARE ESSENTIALLY LONDON IN LATE NOVEMBER OR, PRESUMABLY, WASHINGTON IN EARLY JANUARY. NOVEMBER MEETING WOULD HAVE ADVANTAGES OF MAINTAINING MOMENTUM AND INITIATING DISCUSSIONS IN PROXIMITY TO WHEAT COUNCIL--WHICH IS VENUE FAVORED BY STATE AND USDA FOR AT LEAST FIRST PHASE OF NEGOTIATIONS, AS AGAINST STR PREFERENCE FOR LOCKING NEGOTIATIONS INTO MTN FROM OUTSET. OPPOSING EARLY MEETING IS CURRENT INTER-AGENCY DISARRAY OVER US NEGOTIATING TACTICS.

4. IN PARTICULAR, USDA FAVORS DISCUSSION BY MAJOR EXPORTERS AND IMPORTERS IN AD HOC GROUP AT NEXT WHEAT COUNCIL MEETING (IN LONDON NOVEMBER 25-28). DUE TO WORK ON RESERVES ALREADY COMPLETED WITHIN USG, BELL BELIEVES USG COULD BE READY FOR DISCUSSIONS LATER THIS MONTH. BELL SEES DISCUSSIONS BEING BROAD IN NATURE WITH NO COMMITMENTS LIKELY TO COME OUT OF MEETING, EXCEPT TO MEET AGAIN IN SEVERAL MONTHS TO BEGIN NEGOTIATIONS. BELL BELIEVES EUROPEANS AND JAPANESE WOULD BE MORE COMFORTABLE AT DISCUSSIONS IN WHEAT COUNCIL SETTING THAN IN WASHINGTON AND BELIEVES MUCH BETTER CHANCE SOVIETS WILL ATTEND IF MEETING HELD AT WHEAT COUNCIL VENUE. WHEAT COUNCIL SECRETARIAT HAS HAD UNDERWAY FOR SEVERAL MONTHS A STUDY ON HOW RESERVES MIGHT FIT INTO FUTURE WHEAT AGREEMENT. PRESENT AGREEMENT EXPIRES JUNE 30, 1975. PRESENT STUDY IS UNDER GENERAL SUPERVISION OF IWC EXECUTIVE COMMITTEE, WHICH INCLUDES ALL MAJOR COUNTRIES INCLUDING USSR. EUROPEANS, JAPANESE AND INDIANS HAVE ALL SUGGESTED TO US DELEGATION THEY SEE WHEAT COUNCIL LIKELY VENUE FOR MEETING. ALTHOUGH WHEAT COUNCIL DEALS MOSTLY WITH WHEAT, DISCUSSIONS AT WHEAT COUNCIL VENUE COULD EASILY BE EXPANDED TO COVER COARSE GRAINS AND RICE. WHEAT COUNCIL SECRETARIAT REGULARLY COLLECTS DATA ON COARSE GAINS AND RICE IN COLLABORATION WITH FAO. MARTIN CONCURS SENSE OF THIS PARAGRAPH.

5. THERE IS STILL STRONG CURRENT OF OPINION AMONG OTHER PARTICIPANTS IN FAVOR OF ATTEMPTING TO FORCE TRADE-OFF IN MTN CONTEXT OF RESERVES AGREEMENT FOR TRADITIONAL-TYPE COMMODITY AGREEMENT.
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UNLESS BASIC PURPOSE AND TACTICS ARE CLEAR WITHIN USG IN ADVANCE OF INITIAL DISCUSSION, WE BELIEVE THERE IS RISK THAT THIS MAJOR INITIATIVE WILL BECOME A FIASCO.

6. EXPORTERS GROUP. INITIAL REACTION OF ALL PROSPECTIVE PARTICIPANTS (EXCEPT ARGENTINA WITH WHOM WE HAVE DELAYED DISCUSSING UNTIL THERE IS SOME AGREEMENT WITH OTHERS) HAS BEEN STRONGLY NEGATIVE. WE HAVE NOT YET TALKED IN TERMS OF WHERE MEETING MIGHT

BE HELD, BUT WE SEE ESSENTIALLY SAME TWO POSSIBILITIES AS FOR DISCUSSION WITH RESERVES GROUP.

7. AD HOC MEETING OF EXPORTERS AT WHEAT COUNCIL SESSION COULD BE LOW KEY AND WOULD BE FAIRLY DIFFICULT FOR OTHER EXPORTERS TO REJECT. IT COULD SET REGULAR PATTERN FOR HOLDING SEMI-ANNUAL MEETINGS DURING COUNCIL SESSIONS. HOWEVER, IT MIGHT NOT PROVIDE INITIAL IMPETUS TOWARD MORE COMPREHENSIVE COORDINATION AMONG THIS GROUP AT WHICH PROPOSAL AIMS. MORE DRAMATIC CALL FOR MEETING, E.G., IN WASHINGTON EARLY NEXT YEAR, PROBABLY NEITHER WOULD NOR COULD BE ACCEPTED BY OTHER COUNTRY REPRESENTATIVES ATTENDING WFC. WE BELIEVE STRONG CASE FOR EXPORTERS GROUP WILL NEED TO BE MADE AT POLITICAL LEVEL IN RESPECTIVE CAPITALS. WHATEVER WE DECIDE, WE WILL AGAIN NEED TO BE CLEAR ON OUR BASIC OBJECTIVES AND TACTICS BEFORE MEETING.

8. REQUEST GUIDANCE ON WHAT TIMING AND LOCATION WE SHOULD PROPOSE FOR FOLLOW-UP ON BOTH OF THESE INITIATIVES. OTHER DELEGATIONS OBVIOUSLY ARE LOOKING TO US, AND WE NEED TO BE SPECIFIC ABOUT OUR INTENTIONS BY NOT LATER THAN OPENING OF WFC SESSION THURSDAY NOVEMBER 14. THIS WOULD GIVE MINIMUM TIME FOR OTHERS TO CONTACT THEIR GOVERNMENTS TO EXTENT NECESSARY. VOLPE

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